

Message Text

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TAGS: EFIN, ELAB, UK
SUBJECT: PAY POLICY - GOVERNMENT AND UNIONS FEEL THEIR
WAY

SUMMARY: AS THE CURRENT WAGE ROUND AND THE TRADE UNION
CONFERENCE SEASON APPROACH THEIR CONCLUSION, THE TIME IS
FAST APPROACHING WHEN THE GOVERNMENT WILL HAVE TO MAKE
PUBLIC ANY PAY POLICY IT HOPES TO IMPLEMENT IN THE NEXT
ROUND. THE TRADE UNION MOVEMENT'S OPPOSITION TO ANY
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FORMAL AGREEMENT ON PAY WITH THE GOVERNMENT IS NOW
CERTAIN. THE LIST OF OPPONENTS GREW THIS WEEK WITH THE
ADDITION OF THE NATIONAL UNION OF MINERS (NUM) WHO VOTED
TO DEMAND INCREASES OF 40 PERCENT. THESE DEMANDS MAY
TURN OUT TO BE LESS DAMAGING THAN MAY APPEAR, SINCE
NEGOTIATORS WILL PROBABLY USE THE 40 PERCENT TARGET
AS AN OPENING CLAIM AND NEGOTIATE DOWN BY THE TIME THE

CURRENT AGREEMENT EXPIRES NEXT MARCH. ELSEWHERE, THE PRIME MINISTER HAS GIVEN HIS STERNEST WARNING YET TO THE TRADE UNIONS ABOUT HIS GOVERNMENT'S INTENTIONS ON PAY. HE TOLD DELEGATES AT THE CONFEDERATION OF SHIPBUILDING, ENGINEERING UNIONS (CSEU) CONFERENCE THAT THE GOVERNMENT NEEDED EARNINGS INCREASES SIGNIFICANTLY BELOW THIS YEAR'S LEVELS. HE ALSO WARNED THEM THAT TRADE UNIONISTS WOULD NOT LIKE THE PROPOSALS THE GOVERNMENT WOULD MAKE. THE FIRM LINE HE APPEARED TO BE TAKING REAFFIRMS THE IMPRESSION THAT THE GOVERNMENT WILL BE PROPOSING A UNILATERAL POLICY. MEANWHILE, TUC GENERAL SECRETARY LEN MURRAY WAS STRESSING THAT THERE WAS A NEED FOR GENERAL COOPERATION ON ECONOMIC AND SOCIAL POLICY. MURRAY REPEATED THAT THE GOVERNMENT WOULD HAVE THE FULL COOPERATION OF THE TRADE UNION MOVEMENT SO LONG AS IT WAS PERSUADED THAT THE POLICIES EMPLOYED WERE IN THE BEST INTERESTS OF WORKING PEOPLE. AGAINST THIS BACKGROUND THE GOVERNMENT HAS HAD TO FACE THE REPORT OF AN INQUIRY INTO TOP LEVEL PUBLIC SERVICE SALARIES RECOMMENDING INCREASES AVERAGING 31 PERCENT. DESPITE UNEASINESS WITHIN THE PARLIAMENTARY LABOR PARTY ABOUT HOW THIS MIGHT AFFECT THE ELECTION. THE GOVERNMENT HAS DECIDED TO IMPLEMENT THE RECOMMENDATIONS OVER THE NEXT TWO YEARS. (INFLUENTIAL PUBLIC EMPLOYEE UNION LEADERS FAVORED THE RISE.) THE DISCOMFORT CAUSED BY THIS DECISION SUMMARIZES THE PROBLEM FOR THE GOVERNMENT AND LIMITED OFFICIAL USE

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ITS TRADE UNION ALLIES; AT THIS STAGE. THE PRIMARY CONSIDERATION OF POLICY IS THAT IT WILL BE CREDIBLE TO THE ELECTORATE. END SUMMARY.

1. THE MOVE TOWARDS THE FORMULATION OF THE NEXT STAGE OF THE GOVERNMENT'S PAY POLICY IS GAINING MOMENTUM. WITH LESS THAN FOUR WEEKS OF THE CURRENT POLICY REMAINING PRESSURES OF TIME CONSTRAINTS ARE MOUNTING FOR THE GOVERNMENT. THE PROBLEMS REVOLVE AROUND THE NEED TO GENERATE SOME FORM OF POLICY IN THE NEAR FUTURE, AND ALSO TO ENSURE THAT THE TIMETABLE OF A SEPTEMBER TUC AND A (POSSIBLE) OCTOBER ELECTION ARE BORNE IN MIND. AGAINST THIS BACKGROUND, THE TRADE UNION CONFERENCE SEASON IS COMING TO AN END. TWO MAJOR CONFERENCES HAVE TAKEN PLACE OVER THE LAST WEEK; THE CONFEDERATION OF SHIPBUILDING AND ENGINEERING UNIONS (CSEU), WHICH PROVIDED A PLATFORM FOR PRIME MINISTER CALLAGHAN, AND THE NATIONAL UNION OF MINEWORKERS (NUM) WHICH LISTENED TO FOREIGN SECRETARY OWEN AND LEN MURRAY BEFORE REJECTING ANY FORM OF PAY POLICY FOR THE COMING YEAR.

2. AT THE CSEU CONFERENCE, THE PRIME MINISTER REVIEWED

THE PAST YEAR'S POLICY -- "NOT BAD, BUT NOTHING TO WRITE
HOME ABOUT" -- AND LOOKED FORWARD TO THE COMING WAGE

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ROUND. HE INDICATED THAT EARNINGS INCREASES WOULD HAVE
TO BE "MUCH MORE MODEST THAN THIS YEAR". THIS WAS THE
MOST DIRECT PUBLIC STATEMENT THE GOVERNMENT HAS YET MADE.
IN WARNING THE TRADE UNION MOVEMENT THAT THE GOVERNMENT
WOULD, IF NECESSARY, APPLY A UNILATERAL LIMIT, WITHOUT
TUC APPROVAL, MR. CALLAGHAN SAID "DON'T VIEW IT WITH
SHOCK AND DISBELIEF, AS YOU PROBABLY WILL... WHEN YOU
HEAR WHAT THE GOVERNMENT HAS IN MIND." HE RETURNED TO
THE THEME OF HIS 1977 TUC SPEECH WHEN HE STRESSED
"INFLATION IS OUR MAJOR ENEMY AND YOU HAVE THE RESPON-
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SIBILITY IN YOUR OWN JOB, AS I HAVE THE RESPONSIBILITY IN MIND, TO PREVENT IT COMING BACK."

3. THE PM'S SPEECH INDICATED MORE STRONGLY THAN HITHERTO THAT THE GOVERNMENT'S INTENTION WAS TO PROVIDE A LIMIT FOR AVERAGE EARNINGS INCOME, AFTER CONSULTATION WITH THE TUC AND THE CBI, AND THEN MAKE EVERY EFFORT TO ENSURE THAT IT HELD. HE SAID THAT THE GOVERNMENT APPRECIATED THE DISTORTIONS AND ANOMALIES THAT HAD DEVELOPED IN PREVIOUS YEARS AND HINTED THAT THERE WOULD BE SOME SCOPE TO ADDRESS THESE PROBLEMS; HE ADDED HOWEVER, THAT THE GOVERNMENT WOULD NOT ALLOW CORRECTIVES TO PROVIDE THE BASIS FOR LEAP-FROGGING SETTLEMENTS. THE FINAL WARNING CAME WHEN MR. CALLAGHAN REMINDED DELEGATES THAT, IF NECESSARY, HE WOULD "FIGHT IN THE COUNTRY TO GET (THE GOVERNMENT'S) VIEW ACCEPTED." THIS THINLY-VEILED REMINDER OF THE IMPORTANCE OF PAY POLICY AS AN ELECTION ISSUE WAS PROBABLY UNNECESSARY, FOR TRADE UNIONISTS ARE FULLY AWARE OF THE IMPORTANCE OF THE COMING ELECTION.

4. THIS STERN AND EXPLICIT WARNING FROM THE GOVERNMENT SUGGESTS THAT A FORMAL PROPOSAL IS ALREADY ON THE DRAWING BOARD. THE GOVERNMENT WOULD LIKE SPECIFIC TUC PARTNERSHIP BUT GENERAL COUNCIL MEMBERS SAY THIS IS NOT IN THE CARDS. ACQUIESCENCE IS PROBABLY THE BEST FOR WHICH THE GOVERNMENT CAN NOW HOPE. THE ACTION OF THE TUC-LABOR PARTY LIAISON COMMITTEE AT A JULY 3 MEETING REVIEWING A DRAFT DOCUMENT (USEFUL IN AN ELECTION CAMPAIGN) ENTITLED "INTO THE EIGHTIES: AN AGREEMENT" SEEMS TO CONFIRM THIS JUDGMENT. WHILE THE DOCUMENT IN QUESTION DEALS WITH A RANGE OF POSSIBLE TUC AND LABOR PARTY TARGETS AND PRIORITIES ON ECONOMIC AND SOCIAL ISSUES, IT ACCEPTED WITHOUT CHANGE THREE ANODYNE PARAGRAPHS

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ON PAY POLICY, DESPITE A TAUNT FROM CHANCELLOR HEALEY, A MEMBER OF THE COMMITTEE, THAT THEY CONSTITUTED "PRETTY FEEBLE STUFF." IN SPITE OF EFFORTS OF SOME TOP TUC LEADERS -- BASNETT, MURRAY, DRAIN -- TO SET IN TRAIN A MOVEMENT FOR FORMAL COOPERATION WITH THE GOVERNMENT FOR PAY POLICY, THE TRADE UNION CONFERENCES (INCLUDING BASNETT'S GMWU AND DRAIN'S NALGO) SO FAR HAVE INDICATED LITTLE SYMPATHY FOR SUCH A THOUGHT, THE LATEST SYMPTOM BEING THE DECISION OF THE NUM CONFERENCE TO PRESS FOR A 40 PERCENT PAY RISE NEXT YEAR.

5. THE NUM VOTE FOLLOWED AN APPEAL FROM THE TUC GENERAL SECRETARY LEN MURRAY. HE DISCOUNTED THE POSSIBILITY OF ANY TUC AGREEMENT WITH THE GOVERNMENT ON A SPECIFIC LIMIT, BUT SAID "I DO SEE A CASE... FOR THE GOVERNMENT TO BE WELL INFORMED OF THE MOVEMENT'S APPROACH TO THE PROBLEMS OF PAY AND TO REACH A GOOD UNDERSTANDING WITH THE UNIONS ABOUT PAY IN THE CONTEXT OF OTHER ISSUES OF SOCIAL AND ECONOMIC SIGNIFICANCE. SO OUR MESSAGE TO THE GOVERNMENT IS THIS: IF YOU CONVINCE TRADE UNIONISTS THAT YOUR POLICIES ARE MAKING BRITAIN STRONGER AND MAKING OUR SOCIETY FAIRER, YOU CAN COUNT ON US FOR HELP."

6. THE EVENTUAL NUM VOTE, CALLING FOR A POUNDS 110 PER WEEK BASIC WAGE FOR FACE WORKERS (AN INCREASE OF 40 PERCENT), IS NOT ENCOURAGING FOR THE GOVERNMENT OR MR. MURRAY. THE MODERATE, PRO-GOVERNMENT PRESIDENT OF THE NUM, WHO OPPOSES ANY FORMAL PAY POLICY, IS PROBABLY PLEASED THAT THIS MOTION SUCCEEDED' HOWEVER. THE RESOLUTION WAS ONE OF THE LESS MILITANT AVAILABLE TO

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DELEGATES AND THERE IS LITTLE DOUBT THAT 40 PERCENT WILL BE SEEN AS A NEGOTIATING TARGET, AN INITIAL DEMAND, RATHER THAN A MINIMUM ACCEPTABLE SETTLEMENT. IT SHOULD ALSO BE REMEMBERED THAT THE PRODUCTIVITY DEALS NEGOTIATED FOR MINERS EARLIER THIS YEAR HAVE TAKEN MUCH OF THE STEAM FROM RANK AND FILE MILITANCY ON PAY. IT IS NOW LESS PROBABLE (THOUGH NOT IMPOSSIBLE) THAT THERE WOULD BE SUFFICIENT SUPPORT FOR INDUSTRIAL ACTION OVER WAGES AT A MUCH LOWER SETTLEMENT FIGURE -- AT LEAST NUM LEADERS TELL US SO. THEY NOTE THAT LAST TIME THEY BARGAINED

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DOWN FROM 90 PERCENT TO 10 PERCENT (PLUS THE LOCALIZED PRODUCTIVITY DEALS).

7. APART FROM THIS FINAL NUM REBUFF TO ANY FORMAL AGREEMENT, THE GOVERNMENT HAS OTHER PROBLEMS FOR ITS POLICY ON PAY. THE POSSIBILITY OF AN ELECTION MEANS THAT EVERY PUBLIC WORD MUST NOW TAKE ACCOUNT OF THE SHORT-TERM POLITICAL CONSEQUENCES AS WELL AS LONGER-TERM ECONOMIC POLICY. THESE PRESSURES ARE REFLECTED IN THE RECENT DEBATE WITHIN THE LABOR PARTY OVER THE REPORT ON PAY FOR TOP PUBLIC SECTOR JOBS. THE REPORT WAS PRODUCED BY A COMMITTEE CHAIRED BY LORD BOYLE AND WAS ADDRESSED TO THE SALARIES OF PUBLIC SECTOR INDUSTRY DIRECTORS, SENIOR CIVIL SERVANTS, SENIOR MILITARY OFFICERS AND TOP JUDICIAL APPOINTEES. THE RECOMMENDATIONS OF THE REVIEW BODY WERE FOR INCREASES AVERAGING SOME 31 PERCENT. THIS FIGURE REFLECTED THE FAILURE OF MOST OF THE SALARIES UNDER REVIEW TO BE INCREASED FOR SEVERAL YEARS. THE INCREASES CURRENTLY RECOMMENDED ARE A CATCHING-UP EXERCISE THAT WILL HELP BRING SENIOR PUBLIC SERVICE SALARIES IN LINE WITH THE PRIVATE SECTOR.

8. THESE RECOMMENDATIONS, COMING DURING A YEAR IN WHICH THE GOVERNMENT HAS ATTEMPTED TO LIMIT SETTLEMENTS TO 10 PERCENT, WERE A POTENTIAL POLITICAL EMBARRASSMENT. THE GOVERNMENT WAS AWARE THAT THE CURRENT SALARIES FOR SENIOR PUBLIC SECTOR JOBS WERE SERIOUSLY HAMPERING THE RECRUITMENT OF THE MOST ABLE PEOPLE. AND CALLAGHAN, SOME MONTHS AGO, INDICATED TO THE TUC/LABOR PARTY LIAISON COMMITTEE WHAT TO EXPECT. HOWEVER, THERE WERE RISKS IN RECOMMENDING 31 PERCENT INCREASES FOR THOSE ALREADY EARNING AROUND POUNDS 15,000 WHILE ASKING WAGE-

EARNERS TO LIMIT THEIR DEMANDS TO FAR LESS. BUT THE TUC
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WAS SILENT, WHILE SOME POWERFUL PUBLIC SERVICE UNION
LEADERS PRIVATELY OR PUBLICLY MADE IT KNOWN TO THE GOVERN
MENT THAT THEY SAW THIS AS A TEST OF COMMON SENSE AND A
CLUE AS TO WHETHER THE PUBLIC SERVICE WAS TO RECEIVE
"SECOND CLASS" TREATMENT UNDER PAY POLICY BECAUSE IT DID
NOT HAVE THE LEVERAGE AVAILABLE IN THE PRIVATE SECTOR.

9. AFTER A MEETING OF THE PARLIAMENTARY LABOR PARTY,
THE GOVERNMENT DECIDED TO AWARD A 10-PERCENT INCREASE NOW
AND TO PHASE IN THE FULL RECOMMENDATIONS BY APRIL 1980.
THE DECISION WAS TAKEN AFTER LEFT-WING CRITICS HAD BEEN
PERSUADED THAT THE DECISION WAS UNAVOIDABLE. WHILE GREAT
PLAY HAS BEEN MADE OF THE POSSIBLE ELECTORAL REACTION TO
THE MOVE BY SOME LABOR PARLIAMENTARIANS, REACTION FROM
THE TRADE UNIONS HAS BEEN QUIET. THE PM IS APPARENTLY
CONFIDENT THAT LABOR VOTERS WILL BE PERSUADED THAT THE
MOVE IS EQUITABLE IN THE CIRCUMSTANCES. WHETHER HE IS
RIGHT OR NOT REMAINS TO BE SEEN, BUT IT APPEARS PROBABLE
THAT THE INCREASES WILL, BY CHOOSING THE ECLECTIC PATH OF
PHASED INCREASES, NEITHER PLEASE NOR OUTRAGE EVERYONE.
SIMILAR PROBLEMS ARE LIKELY TO BE POSED BY THE FORTH-
COMING REPORT ON POLICE PAY WHICH IS EXPECTED TO RECOM-
MEND AVERAGE INCREASES OF AROUND 40 PERCENT.

10. THUS IS THE DEBATE CONTINUING. THE IMPLICATIONS
STILL SEEM TO SUGGEST THAT THE GOVERNMENT INTENDS TO
PRODUCE A WHITE PAPER ON PAY AND PURSUE ITS POLICY
WITHOUT OVERT TUC SUPPORT. (CALLAGHAN IS A FREQUENT
VISITOR TO TUC ECONOMIC COMMITTEE MEETINGS.) THERE IS
NO DOUBT THAT THE GOVERNMENT WILL BE HOPING FOR SOME
FORMULATION CALLING FOR "MODERATION" TO COME OUT OF THE
SEPTEMBER TUC. WITH OR WITHOUT THIS ADDITIONAL SUPPORT,
THE GOVERNMENT WOULD BE IN A POSITION TO FIGHT A POSSIBLE
OCTOBER ELECTION WITH SOME FORM OF POLICY ON EARNINGS
THAT WOULD NOT HAVE BEEN CHALLENGED BY ANY OF THE MAJOR
NEGOTIATING GROUPS WHEN THEY GO TO THE COUNTRY.
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